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C O N F I D E N T I A L SECTION 01 OF 02 RIYADH 001365

SIPDIS

DEPT FOR NEA/ARP AND FOR S/SRAP  
ISLAMABAD FOR AMBASSADOR RAPHEL

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SUBJECT: SAUDI DEVELOPMENT FUND PROVIDES DETAILS ON AID TO  
PAKISTAN, YEMEN

Classified By: Charge d'Affaires Susan L. Ziadeh for reasons 1.4 (b) and (d)

Summary

1. (C) The Saudi Fund for Development is on the verge of signing three agreements with Pakistan that will disburse close to half of the \$700 million it pledged at the Tokyo conference in April. SFD is also spending more than \$800 million on projects in Yemen, and continues to play a role in Afghanistan. Many of the SFD's projects are funded by grants, others by soft loans with very generous terms (particularly in the case of Afghanistan).

Saudi Assistance to Pakistan

2. (C) Econoff met with Mohammed Al-Arifi, director for Asia projects at the Saudi Fund for Development (SFD) to discuss their work in Pakistan and Yemen. Al-Arifi said he will be traveling to Islamabad for an economic forum on November 9 and while there will sign three agreements related to the disbursement of the Saudis' \$700 million Tokyo pledge. The first agreement will facilitate the promised transfer of \$200 million to the Pakistan central bank, the second will facilitate some (but not all) of the \$200 million in export credits, and the third relates to the \$80 million construction of a hydroelectric project (part of the \$300 million pledged for infrastructure projects). Al-Arifi mentioned that the SFD is responsible for overseeing all of the SAG's export credit programs.

3. (C) Discussing when the SAG will disburse the remaining \$220 million of their commitment for infrastructure projects, Al-Arifi said the Pakistani government (GOP) had requested the Saudis assist with another, larger hydroelectric project, but the Saudis pushed back. He said the project was too expensive and that while the SFD would be willing to fund a portion of the project, the onus was on the GOP to identify additional sources of funding. In the meantime, Al-Arifi said they had recommended the GOP put forward smaller projects, with the Saudis saying they were particularly interested in building schools.

SFD Loan Terms

4. (C) The SFD's loans to the GOP for infrastructure projects

are for 25 years, with an initial 5-year grace period, no interest, but an annual 2 percent "service charge." The terms do not take effect until the funds are actually disbursed. Al-Arifi said these terms were standard for SFD, with the term generally ranging from 20 to 25 years, no interest, and a 2 percent charge. The main exception is Afghanistan, which received a 40-year term with a 10-year grace period. In Pakistan, the SFD works through the government to select contractors, using a public tender process that must have at least three bids to proceed.

#### Saudi Assistance to Yemen

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15. (C) Al-Arifi said SFD projects in Yemen have only been minimally affected by the current conflict, singling out three projects (two roads and one education center) that have been placed on hold. He said that 80 percent of the \$1 billion grant pledged by the SAG in London in November 2006 has been spent or is in the process of being spent. This \$800 million covers 20 projects, the largest of which, the Ma'areb power plant, will cost \$100 million and for which the SFD began soliciting tenders last week. In addition to this \$1 billion grant, the SFD oversees numerous projects paid for by soft loans.

#### SFD Still Active in Afghanistan

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16. (C) According to Al-Arifi, the SFD is still actively overseeing projects in Afghanistan (although not on the same

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scale as in Pakistan), and is currently building a road, several schools, and a teaching hospital. He said the Afghan government had requested assistance with building an airport, but the Saudis had recommended they concentrate on social projects before building large-scale infrastructure.

#### Comment

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17. (C) The SAG is moving far more quickly to spend the \$700 million they pledged in Tokyo for Pakistan than it has with some commitments made for other countries. Post will continue to closely track disbursement of these commitments. ZIADEH